

State Employee Health Plan  
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J. Scott Day, Commissioner  
Steve Dechant, Commissioner  
Sandy Praeger, Commissioner  
Nancy Ruoff, Commissioner  
Dennis R. Taylor, Chair

Kansas State Employees Health Care Commission

Sam Brownback, Governor

**Kansas State Employees Health Care Commission**  
**April 16, 2012 Minutes**  
**LSOB, Room 106, 900 SW Jackson, Topeka, Kansas**

**CALL TO ORDER**

The Kansas State Employees Health Care Commission (HCC) meeting was called to order on April 16, 2012 at 1:30 p.m. in the Landon State Office Building, Room 106, 900 SW Jackson, Topeka, Kansas. The following persons were present in person: Commissioners Dennis R. Taylor (Chairman), Sandy Praeger, Nancy Ruoff, J. Scott Day and Steve Dechant. Shelley H. King from the Department of Administration, Office of Chief Counsel, Mike Michael from the Division of Health Care Finance (HCF) within the Kansas Department of Health and Environment (KDHE), and Michael Morrow from AON were also in attendance.

**AGENDA:**

**1. Approval of Minutes**

Chairman Taylor asked for approval of the February 21, 2012 minutes.

**IT WAS MOVED BY COMMISSIONER DAY AND SECONDED BY COMMISSIONER DECHANT TO APPROVE THE MINUTES OF February 21, 2012. MOTION PASSED 5-0.**

**2. Appointment of Employee Advisory Committee Member**

The Employee Advisory Committee (EAC) is composed of 21 members – 18 are active employees and 3 are Direct Bill members. The State Employee Health Plan (SEHP) staff has been advised of the resignation of current EAC member Tracy Clarke who is terminating her employment. SEHP staff recommended that the following nominee be selected to fill the unexpired term of Ms. Clarke on the EAC:

<b>Nominee</b>	<b>Agency</b>	<b>City</b>	<b>Term</b>
Karen Gutzwiller	Social & Rehabilitation Services	Topeka	12/31/2014

**IT WAS MOVED BY COMMISSIONER RUOFF AND SECONDED BY COMMISSIONER PRAEGER TO APPROVE KAREN GUTZWILLER FILLING THE VACANT EAC POSITION. MOTION PASSED 5-0.**



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### 3. Voluntary Insurance Plans

The SEHP offers a comprehensive benefit package. Periodically, the SEHP is contacted by agents and brokers of various voluntary insurance plans. At the September 16, 2011 HCC meeting, commissioners requested that staff do a survey to determine the level of interest in these plans and to discuss these offerings with the EAC.

The voluntary insurance plan survey was posted for 30 days on the SEHP home page on the Kansas Department of Health and Environment website. The survey asked respondents to provide feedback on their level of interest in voluntary insurance offerings, including cancer, critical illness, accidental injury and hospital indemnity insurance. The survey was completed by 2,796 respondents. Respondents rated their level of interest in each of the plans as:

	<u>1<sup>st</sup> Choice</u>	<u>2<sup>nd</sup> Choice</u>
Cancer:	35.6%	20.1%
Accident:	27.1%	17.8%
Critical Illness:	18.0%	29.9%
Hospital Indemnity:	13.2%	17.3%

The number one reason employees gave for wanting the State to offer these plans was the convenience and potential tax savings of payroll deduction. Also, 65% of those responding were interested in the availability to cover family members.

Then we asked the members to rank the affordability of each plan:

	Estimated <u>Cost</u>	Estimated	
		Affordable	Not Affordable
Accident:	\$7.50	43.5%	9.9%
Cancer:	\$20.25	35.7%	45.2%
Critical Illness:	\$27.50	25.4%	57.3%
Hospital Indemnity:	\$42.95	7.8%	72.8%

Overall, the most common response to the survey was that the respondents felt that the coverage was too expensive. Information on the plans, survey results and cost estimates to implement the programs were presented to the EAC. After a thorough review and discussion, the EAC came to a consensus that they did not recommend that the State pursue offering these plans. SEHP staff worked with the Office of General Services to get a cost on what it would take to implement a payroll deduction code for state agencies and also for the seven Regents. To implement one deduction with one company – if we elected to offer Cancer insurance with just Company A – that cost for initial implementation would be just under \$28,000 and then we would have an annual reoccurring cost of about \$4,500. As an example, if we added the Cancer insurance but we offered it through two different vendors, then both of those numbers would be times two so about \$55,000 per additional implementation and around \$9,000 for annual ongoing costs. Going through those numbers, we estimated a savings back to the State of about \$74,000 based on approximately a 5% participation rate.



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After the review, the EAC had a lengthy discussion on the topic and at this point in time they came to a consensus not to proceed with these plan offerings for the SEHP membership.

Discussion followed. No action required.

#### 4. 2012 RFP Report

Request for Proposal (RFP) EVT0001204 to provide a fully insured Plan C Medicare Supplemental product was released on February 8, 2012, and closed on March 15, 2012. Staff is currently reviewing the proposals submitted. The RFP for fully insured Medicare Part C Advantage plan(s) was released on April 12<sup>th</sup> and will close on May 31<sup>st</sup> and we do continue to have negotiations with our current wellness vendor to try to extend that contract. If that is not successful then we will release an RFP.

Discussion followed. No action required.

#### 5. Non-State Entities Report

The following shows the current enrollment in the Non-State portion of the State Employee Health Plan. Effective April 1, 2012, there will be 171 Non-State entities enrolled in the SEHP with 8,218 employees enrolled. We have about 16,000 total membership in the Non-State group. We have one additional group joining July 1<sup>st</sup> and they will be bringing on two new members. Staff still continues to receive a lot of interest from these groups to join the plan.

Summary	Number of Groups	Covered Employees
Public Schools/Community Colleges	32	3,426
Cities	51	594
Counties	29	2,755
Townships	2	19
Public Hospitals & Community Mental Health Centers	17	1,254
Misc. Local Governmental Entities	40	170
<b>Total</b>	<b>171</b>	<b>8,218</b>

Contracts have been issued or signed by the following new groups joining the SEHP:

New Group Name	Covered Employees	Effective Date
Holton Housing Authority	2	7-1-12
<b>Total</b>	<b>2</b>	



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## **6. Employee Advisory Committee Report**

Cheryl Buxton reported that the Employee Advisory Committee (EAC) has nothing more to report other than what Mike has already reported on.

## **7. Projection Spreadsheets**

SEPH staff went over the following projection spreadsheets with the Commissioners:

### Attachment A

Plan Year 2011 Actual vs. Projected

### Attachment B

Projected Reserve Calculation – Current Plans A, B and C Design with 3 years of no increase.

### Attachment C

Projected Reserve Calculation – Current Plans A, B and C Design with 5.3% increase all years.

### Attachment D

Projected Reserve Calculation – Current Plans A, B and New Plan C Design with \$2,500/\$5,000 deductible, 100% coinsurance and current HSA Contribution no increase for 3 years.

### Attachment E

Projected Reserve Calculation – Current Plans A, B and New Plan C Design with \$2,500/\$5,000 deductible, 100% coinsurance and current HSA contribution no increase for 2 years.

### Attachment F

Projected Reserve Calculation – Current Plan C Design with 50% Employer HSA Contribution in January All Years and no increase for 2 years.

### Attachment G

Projected Reserve Calculation – New Plan C Design with \$2,500/\$5000 deductible, 100% coinsurance and current HAS Contribution with 50% Employer HSA Contribution in January All Years.

Discussion followed. No action required.

## **8. HealthQuest Rewards Program Update**

SEPH staff updated the Commission on the number of those who have completed the HeathQuest Rewards Program. As of April 13<sup>th</sup> there were 12,401 who had completed the program (27%), and 29,199 have opened up an account (64%). Communications are going out about the deadline; we are now sending out e-mails to the HR offices to let them know



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who has not yet registered an account to try to reach out to their employees. We also have a quarterly newsletter that is going out. We also have a Wellness Champion Summit on May 18<sup>th</sup> that pushes information out to the social media for those who are signed up there.

No action needed.

**Next HCC Meeting**

Next meeting is scheduled for June 11, 2012 at 1:30 p.m. in the Landon State Office Building, Room 106.

**Adjournment – 2:27 p.m.**

**IT WAS MOVED BY COMMISSIONER PRAEGER AND SECONDED BY COMMISSIONER DAY TO ADJOURN THE MEETING. MOTION PASSED 5-0.**

<b>Plan Year 2011 Actual vs. Projected</b>		
Date: 3/26/2012	2011	2011
Plan Year	2011	2011
<b>Factors and Assumptions</b>	Projected Factors and Assumptions	Actual Factors
Interest Rate on Reserves	3.1%	0.2%
Admin/Contract Fee Trend	2.7%	-4.9%
Healthcare cost trend rate	8.5%	1.9%
<b>Policy Choices</b>	HCC Policy Choices in June 2010	HCC Policy Choices in June 2010
Employer Contr. % incr. (eff. July 1)	15.0%	15.0%
Employee Contr. % incr. (eff. Jan 1)	8.0%	8.0%
Dependent Contr. % incr. (eff. Jan 1)	8.0%	8.0%
Direct Bill Contr. % incr. (eff Jan 1)	14.7%	14.7%
<b>Reserves</b>		
Beginning reserve earning interest	\$11,991,989	\$11,991,989
Beginning reserve not earning interest	\$74,866,652	\$74,866,652
<b>Beginning Total Reserve Balance</b>	<b>\$86,858,641</b>	<b>\$86,858,641</b>
<b>Projected Cash Flow</b>		
Total Employer Contributions	\$335,446,964	\$324,743,377
Total Participant Contributions	\$127,412,785	\$129,927,400
Total Contributions	\$465,917,889	\$454,670,777
Total Plan Expenses (Claims, ASO fees & contracted expenses)	\$463,981,136	\$426,608,381
Interest on Reserves	\$371,752	\$25,373
<b>Net Cash flow</b>	<b>\$2,308,504</b>	<b>\$28,087,769</b>
<b>Projected Reserve Balance</b>		
Reserve Ending Balance	\$89,167,145	\$114,946,410
Target Reserve	\$53,444,000	\$51,193,006
Difference between the Reserve Ending Balance and Target Reserve	\$35,723,145	\$63,753,404
Reserve Ending Balance as a Percent of Claims	19.2%	26.9%

Division of Healthcare Finance  
 Projected Reserve Calculation - Current Plans A, B and C Design with 5 years of no increase  
 Medical, Pharmacy, Dental and Vision  
 Date of Projection: 3/29/2012

**Attachment B**

Plan Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Factors and Assumptions</b>													
Interest Rate on Reserves	0.9%	0.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Admit/Contract Fee Trend	3.2%	4.9%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Healthcare cost trend rate	2.8%	1.9%	5.0%	5.0%	6.0%	7.5%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
<b>HCC Policy Choices in May 2009</b>													
Employer Contr. % Incr. (eff. July 1)	10.5%	15.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Employee Contr. % Incr. (eff. Jan 1)	7.5%	8.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%
Dependent Contr. % Incr. (eff. Jan 1)	7.5%	8.0%	-7.4%	-7.4%	-7.4%	-7.4%	-7.4%	-7.4%	-7.4%	-7.4%	-7.4%	-7.4%	-7.4%
Direct Bill Contr. % Incr. (eff. Jan 1)	12.4%	14.7%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
<b>Reserves</b>													
Beginning reserve earning interest	11,880,073	11,991,989	12,017,352	12,157,579	12,319,674	12,475,670	12,797,140	146,102,041	119,051,399	98,052,992	84,523,961	80,094,591	86,636,134
Beginning reserve not earning interest	78,295,832	74,866,552	102,929,048	143,157,389	179,002,354	188,654,853	0	0	0	0	0	0	0
<b>Beginning Total Reserve Balance</b>	<b>90,175,905</b>	<b>86,858,641</b>	<b>114,946,410</b>	<b>155,324,978</b>	<b>191,322,028</b>	<b>201,128,523</b>	<b>177,976,140</b>	<b>146,102,041</b>	<b>119,051,399</b>	<b>98,052,992</b>	<b>84,523,961</b>	<b>80,094,591</b>	<b>86,636,134</b>
<b>Projected Cash Flow</b>													
Total Employer Contributions	293,900,171	324,743,377	354,771,632	367,594,703	367,594,703	386,465,069	426,143,210	469,895,082	518,138,934	571,335,953	629,994,679	694,675,862	
Total Participant Contributions	127,392,488	129,927,400	131,238,853	134,159,022	135,943,492	138,254,954	151,384,997	165,968,623	181,997,222	199,615,358	218,982,121	240,272,589	263,679,441
Total Contributions	421,292,559	454,670,777	486,010,485	501,753,725	503,538,195	505,849,657	537,950,066	592,111,833	651,892,304	717,754,292	750,318,074	870,267,268	998,355,303
Total Plan Expenses (Claims, ASO fees & contracted expenses)	424,721,839	426,603,381	446,794,634	467,056,270	493,885,695	529,157,960	571,948,867	620,988,750	674,378,854	732,508,986	795,803,993	864,726,908	939,782,389
Interest on Reserves	111,916	25,373	150,217	152,095	153,986	155,921	2,224,702	1,826,276	1,488,142	1,225,662	1,056,550	1,001,182	1,082,952
<b>Net Cash flow</b>	<b>(3,317,264)</b>	<b>28,087,769</b>	<b>40,378,568</b>	<b>35,987,049</b>	<b>9,806,495</b>	<b>(23,157,383)</b>	<b>(31,874,999)</b>	<b>(27,050,642)</b>	<b>(20,998,407)</b>	<b>(13,529,032)</b>	<b>(4,429,399)</b>	<b>6,541,543</b>	<b>19,655,866</b>
<b>Projected Reserve Balance</b>													
Reserve Ending Balance	88,858,641	114,946,410	155,324,979	191,322,027	201,128,523	177,976,140	146,102,041	119,051,399	98,052,992	84,523,961	80,094,591	86,636,134	106,292,000
Difference between the Reserve Ending Balance and Target Reserve	48,651,000	51,193,006	50,274,000	52,570,000	55,613,000	59,617,000	64,477,000	70,050,000	76,149,000	82,725,000	89,221,000	97,758,000	106,292,000
Ending Balance as a Percent of Claims	20.5%	26.9%	34.8%	41.0%	40.7%	33.6%	25.5%	19.2%	14.5%	11.5%	10.1%	10.1%	11.5%
Total Contributions for 2011 include \$2,870,534 from the ERHP, 2012 includes \$3,012,500 and 2013 includes \$1,147,500 from SB572													
Total Contributions for 2011 includes \$187,606 for settlement of pharmaceutical class action lawsuit													

88,858,641	114,946,410	155,324,979	191,322,027	201,128,523	177,976,140	146,102,041	119,051,399	98,052,992	84,523,961	80,094,591	86,636,134	106,292,000
48,651,000	51,193,006	50,274,000	52,570,000	55,613,000	59,617,000	64,477,000	70,050,000	76,149,000	82,725,000	89,221,000	97,758,000	106,292,000
38,207,641	63,733,404	105,050,979	138,752,027	145,515,523	118,359,140	81,625,041	49,001,399	21,934,992	1,798,981	(9,826,409)	(11,121,866)	0
20.5%	26.9%	34.8%	41.0%	40.7%	33.6%	25.5%	19.2%	14.5%	11.5%	10.1%	10.1%	11.5%

Attachment C

**Division of Healthcare Finance  
Projected Reserve Calculation - Current Plan A, B and C People with 5.3% Increase all years**

Projected Reserve Calculation - Current Plans A, B and C Design with 5.3% Increase all years										
Plan Year		2010			2011			2012		
Factors and Assumptions		Actual Factors			Projected Factors and Assumptions					
Interest Rate on Reserves	0.9%	0.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Admin/Contract Fee Trend	3.2%	-4.9%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Healthcare cost trend rate	2.8%	1.9%	5.0%	6.0%	7.5%	8.5%	9.0%	9.0%	9.0%	9.0%
<b>Policy Choices</b>					HCC Policy Choices in May 2010	HCC Policy Choices in May 2011	HCC Policy Choices by May 2012	<i>Future Policy Choices.....</i>		
Employee Contr. % incr. (eff. July 1)	12.5%	15.0%	7.5%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Employee Contr. % incr. (eff. Jan 1)	7.5%	8.0%	44.0%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Dependent Contr. % incr. (eff. Jan 1)	7.5%	8.0%	-7.4%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Direct Bill Contr. % incr. (eff. Jan 1)	12.4%	14.7%	8.2%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
<b>Reserves</b>										
Beginning reserve earning interest	11,880,073	11,991,989	12,017,362	12,167,579	12,319,674	12,473,670	12,629,739	131,202,534	350,320,105	351,162,974
Beginning reserve not earning interest	78,295,832	74,865,652	102,929,048	143,157,399	192,407,890	241,205,890	296,498,739	331,202,534	350,320,105	351,162,974
<b>Beginning Total Reserve Balance</b>	<b>90,175,905</b>	<b>86,883,641</b>	<b>114,946,410</b>	<b>155,324,978</b>	<b>204,817,564</b>	<b>253,679,560</b>	<b>296,498,739</b>	<b>331,202,534</b>	<b>350,320,105</b>	<b>351,162,974</b>
<b>Projected Cash Flow</b>										
Total Employer Contributions	293,900,171	324,743,377	354,771,332	377,343,159	397,357,122	418,432,408	440,625,921	463,996,348	488,605,322	514,521,589
Total Participant Contributions	127,392,488	129,927,400	131,238,853	137,985,880	145,224,771	153,374,725	162,304,096	171,950,635	182,213,939	193,136,500
Total Contributions	421,292,559	454,670,777	486,010,485	515,239,039	542,581,893	571,807,333	602,930,017	635,946,983	670,820,261	707,658,089
Total Plan Expenses (Claims, ASO fees & contracted expenses)	424,721,839	426,608,381	446,794,334	457,046,049	493,873,892	529,144,076	571,932,456	620,959,444	674,356,394	795,774,359
Interest on Reserves	11,916	25,373	150,217	152,095	153,996	155,922	3,706,234	4,140,032	4,379,001	4,389,537
<b>Net Cash flow</b>	<b>(3,372,64)</b>	<b>23,087,769</b>	<b>40,375,568</b>	<b>49,492,585</b>	<b>48,385,1997</b>	<b>42,819,179</b>	<b>34,703,795</b>	<b>19,117,570</b>	<b>842,869</b>	<b>(29,435,465)</b>

Attachment D

**Division of Healthcare Finance  
Projected Reserve Calculation - Current Plans A, B and New Plan C Design with \$2,500/\$5,000 deductible, 100% coinsurance and current HSA contribution no increase for 3 years**

**Attachment E**

Division of Healthcare Finance  
Projected Reserve Calculation - Current Plans A, B and New Plan C, Design with \$2,500/\$5,000 deductible, 100% coinsurance and current HSA contribution no increase for 2 years  
Medical, Pharmacy, Dental and Vision  
Date of Projection: 3/29/2012

Plan Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Factors and Assumptions</b>													
Interest Rate on Reserves													
Admin/Contract Fee Trend													
Healthcare cost trend rate													
<b>Policy Choices</b>													
HCC Policy Choices in May 2010													
HCC Policy Choices in May 2011													
Employer Contr. % Incr. (eff. July 1)													
Employee Contr. % incr. (eff. Jan 1)													
Dependent Contr. % Incr. (eff. Jan 1)													
Direct Bill Contr. % Incr. (eff. Jan 1)													
<b>Reserves</b>													
Beginning reserve earning interest													
Beginning reserve not earning interest													
<b>Beginning Total Reserve Balance</b>													
<b>Projected Cash Flow</b>													
Total Employer Contributions													
Total Participant Contributions													
Total Contributions													
Total Plan Expenses (Claims, ASO fees & contracted expenses)													
Interest on Reserves													
Net Cash Flow													
<b>Projected Reserve Balance</b>													
Reserve Ending Balance													
Target Reserve													
Difference between the Reserve Ending Balance and Target Reserve													
Ending Balance as a Percent of Claims													
Total Contributions for 2011 include \$2,870,534 from the ERPP, 2012 includes \$1,012,500 and 2013 includes \$1,147,500 from SB572													
Total Contributions for 2011 includes \$187,606 for settlement of pharmaceutical class action lawsuit													

86,858,641      110,946,410      155,325,236      191,322,027      201,128,306      200,714,845      201,385,127      199,581,272      193,065,897      181,501,442      163,932,623      139,273,497  
48,651,000      53,193,006      50,274,000      52,570,000      55,633,000      59,617,000      64,477,000      70,050,000      76,118,000      82,725,000      89,921,000      97,758,000      106,292,000  
38,207,641      63,753,404      105,051,236      138,752,027      145,515,306      141,997,845      137,409,427      129,531,272      116,947,897      98,776,442      74,011,623      41,515,497      (0)  
20.5%      26.9%      34.3%      41.0%      46.7%      57.9%      35.3%      32.1%      28.6%      24.8%      20.6%      16.1%      11.3%

Attachment F

**Division of Healthcare Finance  
Projected Reserve Calculation: Current Plan C Design with 50% Employer HSA Contribution in January All Years and no increase for 2 years**

Plan Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Factors and Assumptions	Projected Factors and Assumptions.....												
Interest Rate on Reserves	.....												
Actual Factors	0.9%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Interest Rate on Reserves	0.2%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Admin/Contract Fee Trend	3.2%	4.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Healthcare cost trend rate	2.8%	1.9%	6.0%	6.0%	7.5%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Policy Choices	HCC Policy Choices in May 2010	HCC Policy Choices in May 2011	HCC Policy Choices in May 2012	HCC Policy Choices in May 2013	HCC Policy Choices in May 2014	HCC Policy Choices in May 2015	HCC Policy Choices in May 2016	HCC Policy Choices in May 2017	HCC Policy Choices in May 2018	HCC Policy Choices in May 2019	HCC Policy Choices in May 2020	HCC Policy Choices in May 2021	HCC Policy Choices in May 2022
Employer Contr. % Incr. (eff. July 1)	12.5%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Employee Contr. % Incr. (eff. Jan 1)	7.5%	8.0%	44.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dependent Contr. % Incr. (eff. Jan 1)	7.5%	8.0%	-7.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Direct Bill Contr. % Incr. (eff. Jan 1)	12.4%	14.7%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves	Future Policy Choices.....												
Beginning reserve earning interest	11,580,073	11,931,939	12,017,352	12,157,579	12,319,574	12,473,670	15,1,272,513	141,767,228	0	0	0	0	0
Beginning reserve not earning interest	78,295,332	74,866,652	102,929,048	143,153,799	159,232,880	152,849,971	0	0	0	0	0	0	0
Beginning Total Reserve Balance	90,775,305	86,858,641	114,946,410	155,331,378	171,552,554	165,322,741	151,272,513	141,767,228	132,973,488	124,680,192	116,627,390	108,499,297	99,916,452
Projected Cash Flow	.....												
Total Employer Contributions	293,900,171	374,743,377	354,771,632	367,594,703	357,594,703	382,574,790	413,755,891	447,478,353	483,949,307	523,392,768	566,050,991	612,186,004	662,081,172
Total Participant Contributions	127,392,188	129,927,400	131,238,853	97,601,621	99,383,761	106,332,94	115,375,543	124,671,043	134,738,557	145,644,234	157,457,314	170,254,591	184,118,923
Total Contributions	421,292,559	454,670,777	486,010,985	465,156,324	456,980,454	489,397,384	529,131,434	572,149,396	618,683,264	669,035,597	723,508,305	782,440,595	846,200,095
Total Plan Expenses (Claims, ASO fees & contracted expenses)	424,721,839	426,608,381	446,788,235	450,274,743	473,364,273	503,713,432	540,527,625	582,715,226	628,643,729	678,648,302	733,054,240	792,379,671	856,938,512
Interest on Reserves	111,916	25,373	150,217	152,095	153,996	155,921	1,890,906	1,772,090	1,662,168	1,558,502	1,457,842	1,355,241	1,248,955
Net Cash Flow	(3,311,254)	22,087,769	40,384,567	16,221,176	(6,229,813)	(14,050,227)	(9,505,285)	(8,793,740)	(8,293,296)	(8,052,802)	(8,128,093)	(8,382,335)	(9,389,462)

### **Projected Reserve Balance**

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## Difference between the Reserve Ending B

and Target Reserve

### **Ending Balance as a Percent of Claims**

TETRAHEDRON Letters Vol. 20, No. 22, pp. 2223-2226, 1989 © 1989 Pergamon Journals Ltd.

## Attachment G

**Division of Healthcare Finance  
Projected Reserve Calculations - New Plan C Design with \$2,500/\$5,000 deductible, 100% coinsurance and current HSA contribution with 50% Employer HSA Contribution in January All Years  
Medical, Pharmacy, Dental and Vision  
Date of Projection: 3/29/2012**

Plan Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Factors and Assumptions</b>													
Interest Rate on Reserves													
Admin/Contract Fee Trend													
Healthcare cost trend rate													
<b>HCC Policy Choices in May 2010</b>													
HCC Policy Choices by May 2011													
Policy Choices													
Employer Contr. % incr. (eff. July 1)	12.5%	15.0%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Employee Contr. % incr. (eff. Jan 1)	7.5%	8.0%	44.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dependent Contr. % incr. (eff. Jan 1)	7.4%	8.0%	-7.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Direct Bill Contr. % incr. (eff. Jan 1)	12.4%	14.7%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Reserves</b>													
Beginning reserve earning interest	11,890,073	11,991,989	12,017,362	12,157,579	12,319,674	12,473,570	13,079,551	15,749,038	147,318,224	129,653,217	114,714,749	102,728,342	93,930,362
Beginning reserve not earning interest	78,295,832	74,866,652	102,929,048	143,164,060	178,389,854	191,605,800	0	0	0	0	0	0	0
<b>Beginning Total Reserve Balance</b>	<b>90,175,905</b>	<b>86,855,641</b>	<b>114,945,410</b>	<b>155,331,639</b>	<b>190,709,528</b>	<b>204,074,470</b>	<b>189,579,591</b>	<b>167,745,038</b>	<b>147,318,224</b>	<b>129,653,217</b>	<b>114,714,749</b>	<b>102,728,342</b>	<b>93,930,362</b>
<b>Projected Cash Flow</b>													
Total Employer Contributions	293,900,171	324,743,377	354,771,632	367,554,703	367,594,703	367,594,703	383,582,830	417,267,309	453,781,499	493,512,721	536,710,816	583,580,122	634,781,514
Total Participant Contributions	127,392,488	129,927,400	131,328,953	109,198,541	110,972,730	112,283,723	122,701,549	133,091,288	144,386,141	156,685,682	170,016,499	184,532,817	200,317,171
Total Contributions	421,292,659	454,670,777	486,010,485	476,783,344	478,567,483	481,878,426	506,384,379	550,358,587	588,177,540	650,178,493	705,727,315	788,222,939	835,098,785
Total Plan Expenses (Claims, ASO fees & contracted expenses)	424,721,389	426,008,381	446,787,374	442,705,050	465,356,537	495,129,225	531,243,678	572,629,099	617,684,126	656,737,536	720,147,657	778,305,023	841,635,276
Interest on Reserves	111,916	25,373	150,217	152,095	153,996	155,921	2,574,745	2,093,688	1,841,478	1,620,655	1,433,934	1,284,104	1,174,130
Net Cash flow	(3,317,264)	28,087,769	40,385,228	35,377,889	33,364,942	(14,054,878)	(22,484,553)	(20,176,814)	(17,665,007)	(14,938,468)	(11,995,407)	(8,797,980)	(5,562,362)
<b>Projected Reserve Balance</b>													
Reserve Ending Balance	86,858,641	114,945,410	155,331,639	190,709,527	204,074,463	189,579,591	167,745,038	147,318,224	129,653,217	114,714,749	102,728,342	93,930,362	88,568,000
Target Reserve	48,553,000	51,193,006	50,273,000	43,810,000	46,345,000	49,882,000	53,72,000	53,374,000	63,425,000	68,334,000	75,928,000	81,457,000	88,568,000
Difference between the Reserve Ending Balance and Target Reserve	38,207,641	63,753,404	105,058,639	146,899,527	157,728,469	140,297,591	113,763,038	88,944,224	65,224,217	45,780,749	27,800,342	12,473,362	0
Ending Balance as a Percent of Claims	20.5%	26.9%	34.8%	43.1%	43.9%	38.4%	31.5%	25.7%	21.0%	17.2%	14.3%	12.4%	10.5%

Total Contributions for 2011 include \$2,870,534 from the EERP, 2012 includes \$4,012,500 and 2013 includes \$1,147,500 from SB572  
 Total Contributions for 2011 includes \$187,606 for settlement of pharmaceutical class action lawsuit